

## **MINUTES**

### **VIRGINIA SMALL BUSINESS FINANCING AUTHORITY BOARD OF DIRECTORS MEETING - LOAN BUSINESS**

**September 20, 2006 - 12:00 P.M.**

**Eighth & Main Building, 3<sup>rd</sup> Floor Conference Room  
Richmond, Virginia**

- I. Voting members present: Andy Brownstein, Leon Moore, Hattie Hamlin, Bob Young, Jack Stephens, Michael Joyce, Pallabi Saboo, Jane-Scott Cantus, Jim Cheng, Jeff Jones, and Louisa Strayhorn.  
Others present: Scott Parsons, J. Jasen Eige (Senior Assistant Attorney General), Barbara Carter, Mary Jo Sisson-Vaughan, Patty Thorne, Anna Mackley Cobb, and Patricia Musial.

Chairman Brownstein introduced Louisa Strayhorn, DBA's new agency director, to the Board. Ms. Strayhorn briefly described her personal background and previous business experiences. She then spoke to the Board regarding Governor Kaine's Executive Order 33 and his inclusion of DBA in his core group of agencies to carry out this order which is to build capacity for businesses in Virginia. Ms. Strayhorn talked about some of the strategies for accomplishing the goals of EO 33 and goals for VSBFA. She solicited the Board's assistance in both matters.

Each board member then introduced him/herself to Ms. Strayhorn.

- II. Approval of Minutes - On a motion by Leon Moore, seconded by Jack Stephens, the minutes of the July 19, 2006, Board of Directors Meeting - Loan Business, were unanimously approved.

III. 501 (c) (3) Bond Application

- A. Community Residences, Inc. and Community Havens, Inc. - Fairfax County - \$12,000,000 501 (c) (3) Bond. Mary Jo Sisson-Vaughan reviewed for the Board this application for bonds to refinance existing debt.

IV. **PUBLIC HEARING**

- A. Community Residences, Inc. and Community Havens, Inc. - Fairfax County - \$12,000,000 501 (c) (3) Bond. On a motion by Bob Young, seconded by Pallabi Saboo, the Board of Directors unanimously adopted a final resolution authorizing issuance of 501 (c) (3) bonds to refinance existing debt at an annual cost savings of approximately 200 basis points. (Ms. Strayhorn was not present for the vote.)

V. Economic Development Loan Fund Applications

- A. Industrial Development Authority of Greenville County - \$400,000. Mary Jo Sisson-Vaughan presented this request to the Board. On a motion by Leon Moore, seconded by Pallabi Saboo, the Board of Directors unanimously approved a \$400,000 10-year loan through the Economic Development Loan Fund for the partial funding of rail infrastructure relocation in their industrial park. (Ms. Strayhorn was not present for the vote.)
- B. Industrial Development Authority of Greenville County - \$42,000. Mary Jo Sisson-Vaughan presented to the Board this request for an amendment to increase the original loan amount approved by staff in August 2006. The additional \$42,000 is for wetland mitigation costs related to the IDA's project. On a motion by Bob Young, seconded by Jeff Jones, the Board of Directors unanimously approved the amended request as presented increasing the amount of the loan from \$323,409 to \$365,409 through the Economic Development Loan Fund. (Ms. Strayhorn was not present for the vote.)

VI. Board Review and Ratification of Loans Approved/Declined by Staff - On a motion by Leon Moore, seconded by Jack Stephens, the loan decisions of \$500,000 or less approved/declined by staff for August 2006 were unanimously ratified. (Ms. Strayhorn was not present for the vote.)

VII. Financial Statements - Patty Thorne reviewed the financial statements for fiscal year end June 30, 2006 and 2005. Ms. Thorne noted that the total assets decreased by \$8.4M due to the loss of the State EDLF monies and highlighted how that loss affected other areas of the Authority's finances. The operating revenues section was also briefly reviewed, showing how the revenues were affected by the loss of funds. Mr. Parsons then commended staff for the work involved in managing the funds and compiling the statements.

VIII. New Partnerships - Scott Parsons informed the Board that DBA and VSBFA are trying to work on a number of partnerships to try to have, if not more money in then at least some of leveraging our money better. Mr. Parsons then updated the Board on the following initiatives:

- U.S. SBA – talking with SBA about an agreement to provide a supplemental guaranty to their existing guarantee program;
- DMBE – VSBFA currently manages their PACE loan program but VSBFA will take a more active role in marketing and administering this program;

New Initiatives:

- VSBFA's programs – changes in terms and added enhancements to make them more user friendly and helpful to some of our customers:
  - VCAP – added double matches to encourage more lending to small, women, and minority owned businesses as well as more businesses in rural areas; this allows banks that participate to build their loan loss reserve pool faster if they're making loans to those business targets;
  - EDLF – extended call date from 5 year to 10 years as a result of feedback from banking partners and economic developers that the 5 year hard call was somewhat of an impediment to get deals; this will hopefully make the banks more interested in taking on some additional risks in providing their portion of the loan;
  - Rate – offering a treasury rate as opposed to a treasury plus a 2% spread typically to make VSBFA's portion of the loan easier for small businesses in the time of rising interest rates. VSBFA is still not positioning itself to compete against private sector banking industry.
- Surety Bonds – VSBFA will be proposing legislation in the upcoming General Assembly session to create a guaranty fund of \$5 million for surety bonds which will operate like the Loan Guaranty Program does but there will be offsetting of some risks that the bond issuers currently have by providing some guaranty and allowing them to take a little more additional risk and do some deals that they otherwise would not be able to do.

IX. Bond Issuance Fees - The Board of Directors, along with input from Dave Richardson, bond attorney with McGuireWoods, discussed at length the Authority's policy on fees charged to issue 501 (c) (3) bonds, particularly for multi-jurisdictional projects. The Board decided to re-visit the issue in 60 days to see if any definitive action should to be taken to change the policy.

X. The meeting was adjourned by Chairman Brownstein.